

**SINGLE AUDIT REPORTS
UNDER OMB CIRCULAR A-133**

**BULLITT COUNTY
FISCAL COURT**

June 30, 2009



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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Melanie Roberts, Bullitt County Judge/Executive

Members of the Bullitt County Fiscal Court

Previously, we engaged Cotton and Allen, P.S.C., to perform the audit of Bullitt County, Kentucky's basic financial statements. That report was released on March 31, 2010. The enclosed report also prepared by Cotton and Allen, P.S.C., Certified Public Accountants, presents the schedule of expenditures of federal awards (SEFA) of Bullitt County, Kentucky, for the year ended June 30, 2009. The audit of the SEFA was conducted in conjunction with the basic financial statements.

We worked closely with the firm during our report review process; Cotton and Allen, P.S.C. evaluated Bullitt County's internal controls and compliance with applicable laws and regulations. Cotton and Allen, P.S.C. also evaluated Bullitt County's compliance with requirements applicable to each major program and internal controls over compliance in accordance with OMB Circular A-133. Reports for both are included herein as well.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen

Auditor of Public Accounts

Enclosure



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



The Honorable Melanie Roberts, Bullitt County Judge/Executive
Members of the Bullitt County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bullitt County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 15, 2009. Bullitt County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bullitt County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bullitt County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Bullitt County Fiscal Court's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2009-01 through 2009-08, and 2009-10 to be significant deficiencies in internal control over financial reporting.

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not consider the significant deficiencies described above to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Bullitt County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2009-01, 2009-02, and 2009-09.

We noted certain other matters that we reported to management of Bullitt County Fiscal Court in the exit conference on December 15, 2009.

The Bullitt County Judge/Executive's responses to the findings identified in our audit are included in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Bullitt County Judge/Executive's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Bullitt County Fiscal Court, the Department for Local Government, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Cotton and Allen, P.S.C.
Certified Public Accounts and Advisors

December 15, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**



The Honorable Melanie Roberts, Bullitt County Judge/Executive
Members of the Bullitt County Fiscal Court

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Bullitt County, Kentucky, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2009. Bullitt County's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Bullitt County's management. Our responsibility is to express an opinion on Bullitt County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bullitt County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Bullitt County's compliance with those requirements.

In our opinion, Bullitt County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended June 30, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, that is required to be reported in accordance with OMB Circular A-133 and which is disclosed in the accompanying Schedule of Findings and Questioned Costs as item 2009-11.

Internal Control Over Compliance

The management of Bullitt County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Bullitt County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bullitt County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified deficiencies in internal control over compliance that we consider to be a significant deficiency.

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance (Continued)

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2009-05 and 2009-11 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control. We did not consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bullitt County Fiscal Court as of and for the year ended June 30, 2009, and have issued our report thereon dated December 15, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Bullitt County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Bullitt County Judge/Executive's responses to the findings identified in our audit are included in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Bullitt County Judge/Executive's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Bullitt County Fiscal Court, the Department for Local Government, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Respectfully submitted,



Cotton and Allen, P.S.C.
Certified Public Accountants and Advisors

June 28, 2010, except for the third to last paragraph above
for which the date is December 15, 2009

BULLITT COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Other Supplementary Information

BULLITT COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Other Supplementary Information

Fiscal Year Ended June 30, 2009

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	Pass-Through Grantor's Number	Expenditures	Provided to Subrecipients
Cash Programs:			
<u>U.S. Department of Homeland Security</u>			
Passed Through Kentucky Department of Military Affairs			
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA # 97.036)	FEMA-1802-DR-KY	\$ 144,613	\$ 0
	FEMA-1818-DR-KY	453,126	26,326
Emergency Management Performance Grant (CFDA # 97.042)	Not Available	23,000	
Passed Through Kentucky Office of Homeland Security			
Homeland Security Grant Program (CFDA #97.067)	PO2-094-700012802	95,844	
	PO2-094-700012848	98,303	
Total U.S. Department of Homeland Security		\$ 814,886	\$ 26,326
<u>U.S. Department of Justice</u>			
Passed Through Kentucky Department of Justice			
Edward Byrne Memorial Justice Assistance Grant Program (CFDA # 16.738)	2008-JAG-DTF-00062	65,563	
Total Expenditures of Federal Awards		<u>\$ 880,449</u>	<u>\$ 26,326</u>

BULLITT COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2009

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal activity of Bullitt County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Note 2 – Sub-recipients

Of the federal expenditures presented in the accompanying Schedule of Expenditures of Federal Awards, Bullitt County Fiscal Court provided federal awards totaling \$26,326 to the following sub-recipient: Bullitt County Sheriff's Department.

BULLITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2009

**BULLITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Fiscal Year Ended June 30, 2009

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bullitt County.
2. Nine significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report. These deficiencies are not considered to be material weaknesses.
3. Three instances of noncompliance material to the financial statements of Bullitt County were disclosed during the audit.
4. Two significant deficiencies relating to the audit of the major federal awards program are reported in the Independent Auditor's Report. These deficiencies are not considered to be material weaknesses.
5. The auditor's report on compliance for the audit of the major federal awards program for Bullitt County expresses an unqualified opinion on all major federal programs.
6. There are two audit findings relative to the major federal awards programs for Bullitt County.
7. The program tested as a major program was: Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA #97.036).
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Bullitt County was not determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2009-01 The Jailer Did Not Maintain Cash Receipts And Disbursements Journals Or Provide An Annual Financial Statement To The Treasurer As Required By The Fiscal Court And Kentucky Statute

Criteria: The State Local Finance Officer has prescribed the minimum accounting and reporting requirements pursuant to KRS 68.210. These are to be utilized by County Jailers for jail canteen funds maintained pursuant to KRS 441.135. These requirements include, but not limited to, the Jailer submitting an annual financial report to the County Treasurer.

Condition: The Jailer did not meet the minimum accounting and reporting requirements pursuant to KRS 68.210, or submit an annual financial report to the County Treasurer as required by KRS 441.135(2).

Cause: The entity's limited size and staffing resources have made it difficult for the Jailer to meet the requirements in a cost-effective manner.

Effect or Potential Effect: The County is not in compliance with applicable State Law. Additionally, errors in the Treasurer's report may remain undetected.

BULLITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Supplemental Information
Fiscal Year Ended June 30, 2009
(Continued)

2009-01 The Jailer Did Not Maintain Cash Receipts And Disbursements Journals Or Provide An Annual Financial Statement To The Treasurer As Required By The Fiscal Court And Kentucky Statute (Continued)

Recommendation: We recommend the Fiscal Court require the Jailer maintain cash receipts and disbursements journals, and to submit an annual financial report at the end of each fiscal year to the Treasurer.

County Judge/Executive Melanie Roberts Response: Will meet with the Jailer to discuss findings and implement procedures.

2009-02 The Judge/Executive Has Not Maintained An Independent Set Of Books That Is Reconciled To The Treasurer's Books On A Regular Basis, As Required By Kentucky Statute

Criteria: The Uniform System of Accounts states, "The appropriation expenditure ledgers are to be maintained independently by the office of the County judge/executive and the County treasurer. Reconciliations should be made at least monthly in order to ensure accuracy. Counties utilizing computers to maintain books of accounts in the treasurer's office must maintain an appropriations expenditure ledger within the office of the County judge/executive independently from the computer system in the treasurer's office."

Condition: The County did not maintain two appropriation expenditure ledgers as required by the Uniform System of Accounts, which is stipulated by the Department for Local Government.

Cause: Historically, the County has not had systems in place to maintain an appropriation ledger within the Judge/Executive's office.

Effect or Potential Effect: Errors on the Fourth Quarter Financial Report could have been found and corrected by maintaining dual ledgers and reconciling them at least monthly as required by the Uniform System of Accounts.

Recommendation: We recommend that the County comply with the Uniform System of Accounts, as stipulated by the Department for Local Government.

County Judge/Executive Melanie Roberts Response: Will work with the Treasurer to implement dual ledger system if members of the fiscal court are willing.

2009-03 Bank Reconciliations Are Not Being Accurately Prepared

Criteria: The accurate and timely preparation of the bank reconciliation is an essential control to ensure the accuracy of the cash receipts and appropriations ledgers, and therefore, accurate financial reporting.

Condition: There were variances between the reconciled bank balances and the balance per the County's records. These variances were not investigated and resolved on a timely basis. This resulted in the need for the Treasurer to review all transactions in the year to make adjustments to the County's financial statement subsequent to submittal of the Fourth Quarter Financial Report in order for the cash balance reported in the audit report to agree with the reconciled bank cash balance.

BULLITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Supplemental Information
Fiscal Year Ended June 30, 2009
(Continued)

2009-03 Bank Reconciliations Are Not Being Accurately Prepared (Continued)

Cause: It appears that the Treasurer did not fully understand the requirements. Additionally, the review being performed by the Judge/Executive and the Fiscal Court members did not identify the error and request corrections to be made.

Effect or Potential Effect: Errors in the Treasurer's Report may remain undetected.

Recommendation: We recommend that the County Treasurer investigate and resolve all variances when preparing bank reconciliations.

County Judge/Executive Melanie Roberts Response: See Treasurer's response.

County Treasurer Stephanie Bradley Response: Changes to ensure this finding is resolved has been implemented per previous audit recommendation.

2009-04 Encumbrances Are Not Reported On The Treasurer's Quarterly Report Or The Financial Statements

Criteria: The Department for Local Government requires the County to disclose encumbrances on the face of the Fourth Quarter Financial Report. The "Instructional Guide for County Budget Preparation & State Local Finance Officer Policy Manual" states, "Enter the total dollar amount of unpaid purchase orders from the purchase order journal."

Condition: Encumbrances have not been disclosed on the face of the Fourth Quarter Financial Report, and have, therefore, not been disclosed on the governmental fund balance sheet in the financial statements as required by accounting policies general accepted in the United States of America.

Cause: Historically, the County has not had systems in place to maintain an appropriation ledger within the Judge/Executive's office.

Effect or Potential Effect: The County is not in compliance with Department for Local Government guidelines.

Recommendation: We recommend that the County maintain a purchase order journal, from which the total of outstanding purchases at each period end should be disclosed as encumbrances on the Treasurer's report.

County Judge/Executive Melanie Roberts Response: Will furnish Treasurer with copies of all purchase orders issued.

2009-05 Lack Of Segregation Of Duties With Regards To The Payroll System

Criteria: The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the County's assets and ensure accurate financial reporting.

Condition: The Treasurer receives approved time cards, manually inputs them into the Red Wing Payroll module, cuts the checks, and reconciles the bank statement. The assistant to the Treasurer also has the ability to enter the payroll module in Red Wing. Both have the ability to add new hires to the system or make pay rate changes. Also, both have the ability to access the payroll bank account.

BULLITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Supplemental Information
Fiscal Year Ended June 30, 2009
(Continued)

2009-05 Lack Of Segregation Of Duties With Regards To The Payroll System (Continued)

Cause: The entity's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Effect or Potential Effect: Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to the payroll activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation: We recommend the County continue to review their policies and procedures to identify ways in which segregation of duties could be improved.

County Judge/Executive Melanie Roberts Response: *The Judge Executive's Office will receive check registers after payroll from the Treasurer and view bank statements before giving to Treasurer. State Auditor's Office will be contacted for clarification as to proper procedure.*

County Treasurer Stephanie Bradley Response: *Action has been implemented as suggested by auditor from previous audit recommendation.*

2009-06 The Fiscal Court Should Maintain Complete And Accurate Capital Schedules To Comply With GASB 34 Requirements And Inventory Capital Assets Periodically

Criteria: GASB 34 requirements necessitate the County maintaining a complete and accurate fixed asset register.

Condition: The County did not have a completed capital asset schedule for fiscal year ending June 30, 2009. A list of capital asset additions and disposals were not properly maintained.

Cause: It appears that the Judge/Executive and her assistant did not fully understand the requirements.

Effect or Potential Effect: Capital assets and depreciation in the government-wide financial statements could be misstated.

Recommendation: We recommend that the County maintain a complete and accurate fixed asset register to comply with GASB 34 requirements. The fixed asset register should be monitored and maintained on a regular basis. As new assets are acquired they should be added to the listing and as equipment is disposed of it should be removed from the listing. The schedule should include the date the asset is acquired, a description of the asset, the vendor name, and the amount. Invoices for asset acquisition and invoices for all other disbursements should be kept on file in a manner that allows retrieval of the original invoice for review and verification as needed by management and auditors.

The Fiscal Court should take a physical inventory of its capital assets on a regular basis (such as every two to three years) or at the beginning of a new administration to ensure that only active, in-service machinery and equipment is included on the County's financial statements. This will ensure that fixed assets are properly stated and that depreciation is being calculated from a reliable listing.

County Judge/Executive Melanie Roberts Response: *Changes made did not appear in this audit. Fiscal Court will maintain capital assets schedules to comply with GASB 34 requirements.*

BULLITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Supplemental Information
Fiscal Year Ended June 30, 2009
(Continued)

2009-07 The County Does Not Have A Policy Or Procedure To Match Jail Fund Cash Receipts To Invoices

Criteria: The County should have a policy and procedure to ensure that cash receipts are matched to amounts billed to ensure that all amounts billed are collected.

Condition: The Jailer is responsible for creating and sending bills to relevant third parties. The Treasurer receives the payments and posts the receipts to the cash receipts ledger. There is no policy or procedure that requires the Jailer to provide the invoices to the Treasurer in order to allow the Treasurer to ensure that all amounts billed are collected. Additionally, there is no policy or procedure that requires the Treasurer to provide details of the cash receipts to the Jailer that would allow the Jailer to ensure that all amounts billed are collected.

Cause: There is no policy or procedure to ensure coordination between the Treasurer and the Jailer.

Effect or Potential Effect: Amounts billed could remain uncollected, resulting in lost revenue for the County.

Recommendation: We recommend that a procedure is implemented to ensure that cash receipts are matched to amounts billed and that either the Treasurer or the Jailer be made responsible for ensuring that all amounts billed are collected.

County Judge/Executive Melanie Roberts Response: Will meet with the Jailer to discuss findings and implement procedures.

2009-08 The County Has Inadequate Safeguards With Regards To IT Management And Security

Criteria: A strong IT environment is essential to the maintenance of the electronic data held by the County and to prevent unauthorized access to the County's computer systems.

Condition: The County has the following weaknesses within its IT environment:

- Lack of segregation of duties, particularly with regards to the on-line banking system
- Lack of consistent use of virus detection and spam filtering, that resulted in malicious software (such as phishing software) remaining undetected
- Lack of processes to identify unauthorized access and to appropriately respond to questionable transactions
- Insufficient management and oversight of computer networks resulting from a lack of defined responsibilities and expectations in the contract with the vendor providing IT assistance to the County
- Lack of documented policies and procedures related to the responsibility of employees and management for IT resources
- The County does not have a written disaster recovery plan or have processes in place to perform periodic testing of the plan
- The County does not have a robust back-up system
- The County does not have a written computer usage policy (including the use of centralized e-mail accounts)
- The County does not have a written policy that addresses password privacy and that requires users to use complex passwords that are required to be changed every 60 to 90 days.

BULLITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Supplemental Information
Fiscal Year Ended June 30, 2009
(Continued)

2009-08 The County Has Inadequate Safeguards With Regards To IT Management And Security
 (Continued)

Cause: Members and management of the Fiscal Court implemented the security recommendations of their IT network consultant, however, adequate penetration testing was not performed to identify the remaining risks associated with outside threats. Additionally, the Fiscal Court did not have an appropriate internet usage policy and the County staff had not been trained on what constitutes acceptable actions that can be taken on the Internet.

Effect or Potential Effect: Unauthorized access to the Fiscal Court's computers could result in the loss of data, violation of privacy rules and regulations and losses to the Fiscal Court through misappropriation of cash. The irrecoverable loss of data could compromise the County's ability to provide the necessary financial information for reporting to the Fiscal Court members or the citizenry.

Recommendation: We recommend that the County review the report entitled "Information Systems – Best Practices" issued by Crit Luallen on August 4, 2009. The County should have a full IT review performed to ensure that the IT environment is adequately protected.

County Judge/Executive Melanie Roberts Response: *The members of the Fiscal Court have taken appropriate steps (in July 2009) to update its IT security systems per recommendations of the FBI and Computer Knights. Additional security measures will be voted on for approved by Fiscal Court in January 2010.*

County Treasurer Stephanie Bradley Response: *Members of Fiscal Court will be encouraged/urged to implement changes as suggested by the State Auditor. However, they took appropriate steps (in July 2009) to update the IT security per FBI recommendation.*

2009-09 The County Is Not Paying All Invoices Within 30 Days Of Receipt, As Required By Kentucky Statute

Criteria: KRS 65.140 states that all bills for goods or services shall be paid within thirty (30) working days of receipt of vendor's invoice except that when payment is delayed because the purchaser has made a written disapproval of improper invoicing by the vendor or by the vendor's subcontractor.

Condition: We identified 8 invoices, from a sample of 40 that had not been paid within the required 30 days, and there was no documentation that the delay was the result of the County making a written disapproval of improper invoicing by the vendor or by the vendor's subcontractor.

Cause: It appears that the delays were caused by administrative oversights.

Effect or Potential Effect: The County is not in compliance with KRS 65.140.

Recommendation: We recommend that the County ensure compliance with KRS 65.140.

County Judge/Executive Melanie Roberts Response: *The Judge/Executive's office will work to ensure that all invoices are paid within 30 days of receipt.*

BULLITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Supplemental Information
Fiscal Year Ended June 30, 2009
(Continued)

2009-10 Worker's Compensation Invoices Were Not Appropriately Split Between The Funds

Criteria: Expenses should be allocated between funds, based upon a reasonable and consistently applied methodology.

Condition: We noted that in the current year the allocation between funds had not been undertaken.

Cause: It appears that this was an oversight.

Effect or Potential Effect: Fund balances are not appropriately reflected in the financial statements.

Recommendation: We recommend that the County ensure that all expenses are allocated between funds on a consistent basis.

County Judge/Executive Melanie Roberts Response: *This issue has been corrected. Funds are being split between the appropriate departments.*

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM AUDIT

2009-05 Lack Of Segregation Of Duties With Regards To The Payroll System

Federal Program: CFDA #97.036 – Disaster Grant – Public Assistance (Presidentially Declared Disasters)
 Federal Agency: U.S. Department of Homeland Security
 Pass-Through Agency: Kentucky Department of Military Affairs
 Compliance Area: Allowable Costs/Cost Principles
 Amount of Questioned Costs: \$0

See comment in its entirety in Section B Findings – Financial Statement Audit.

2009-11 The Fiscal Court Should Improve Internal Control Policies And Procedures Relating To Federal Awards

Federal Program: CFDA #97.036 – Disaster Grant – Public Assistance (Presidentially Declared Disasters)
 Federal Agency: U.S. Department of Homeland Security
 Pass-Through Agency: Kentucky Department of Military Affairs
 Compliance Area: Activities Allowed or Unallowed, Allowable Costs/Cost Principles
 Amount of Questioned Costs: \$18,134

Criteria: The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal Awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

BULLITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Supplemental Information
Fiscal Year Ended June 30, 2009
(Continued)

2009-11 The Fiscal Court Should Improve Internal Control Policies And Procedures Relating To Federal Awards (Continued)

Condition: During testing and review of the County's project worksheets submitted to the Federal Emergency Management Agency (FEMA) for two Presidentially Declared Disasters, several errors were identified. The errors included time being reported on the project worksheet for time worked which was either not supported by employee time records or payroll reports or time for which the employee was paid sick or vacation time. In addition to errors identified by auditors, County personnel identified similar errors prior to the start of the audit and subsequent to the County submitting the project worksheets to FEMA.

Cause: The County's internal control procedures were inadequate in relation to the preparation of Federal reimbursement requests to prevent or detect errors. It appears the County did not have a process in place to review computations for accuracy and compare the time reported to supporting documentation such as employee time records and payroll reports prior to submitting the request for reimbursement.

Effect or Potential Effect: The County is not in compliance with applicable laws, regulations and the provisions of contracts and grant agreements. The inadequate internal control procedures resulted in approximately \$24,000 of ineligible costs being requested for reimbursement of which \$18,134 comprise of the Federal portion and are considered questioned costs.

Recommendation: We recommend that the County review the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215), establish, and improve internal control policies and procedures over Federal Awards. We further recommend that the County communicate the errors identified during the audit to the appropriate agency.

County Judge/Executive Melanie Roberts Response: Bullitt County acknowledges its weakness as outlined during the audit.

This response is only from the Emergency Management perspective to the point above. Members of Emergency Management charged with preparation of the documents for the two (2) events listed above were the first attempts by this agency in this type of event. When deficiencies were identified in the first event submission, improvements were made in reporting procedures. Bullitt County relied on the FEMA Representative for assistance. It was and is FEMA's position in event management to take all materials and enter them into the appropriate forms. All said information was supplied to the FEMA Representative with the Ice Storm (second event). Because Bullitt County was never afforded the opportunity to review the prepared materials after the last Representative completed her evaluation, we were unable to review all materials submitted and relied on the FEMA's Representative for accuracy of the documentation.

We have learned from our experiences and have identified deficiencies in documentation and have added additional personnel to the evaluation process to eliminate errors of this type in the future.

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None.

